



The Texas A&M University System

Office of the Treasurer

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March 16, 2004

Senator Todd Staples
State Capital, Room E1.708
Austin, Texas 78711

Dear Senator Staples:

Thank you for the opportunity to testify before the Senate Select Interim Committee on Workers' Compensation on February 26th. The committees review of the workers' compensation system and the efforts of the Texas A&M system's work in that arena are appreciated. Included herein are responses to questions addressed in your March 4th letter regarding medical cost containment services and the state budget's funding of WCI losses for Texas A&M system employees.

Medical Cost Containment Service

The Texas A&M system's medical cost containment service provider is Medical Business Management Services(MBMS), with offices in Houston and Dallas. Currently MBMS reviews all medical bills submitted for payment on the System's Workers Compensation Plan (the Plan). Bills are reviewed by MBMS to determine the following:

- Is treatment attributable to a compensable injury
- Is treatment reasonable for the compensable injury
- Is billing in accordance with fee guideline
- If no fee guideline exist, is billing fair and reasonable
- Utilization Review (Peer Reviews)

The Plan compensates MBMS for the review of bills outlined above by paying a percent of savings which is currently 13%. Once MBMS makes determination in regard to denying or reducing payment on a bill, they are responsible for defending their decision through the TWCC medical appeals process at no cost to the Plan. If the appeals process determines that payment is required, the compensation for that savings is refunded to the Plan.

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In addition, MBMS handles pre-authorizations and peer reviews. The fee for pre-authorizations is \$65 - \$215 depending on the type of review. The fee for peer review by a physician is set according to the applicable physician charges.

Financials for Fiscal Year 2003 (MBMS Services Only) *

<u>Audits</u>	<u>Bills</u>	<u>Lines</u>	<u>Billed Amount</u>	<u>Payment</u>	<u>Savings</u>	<u>MBMS Fee</u>
TOTAL	2,411	15,916	1,947,078	589,463	1,357,615	178,313
Recommended as Billed:	325	2,146	82,616	82,616	-	
Paid per Fee Guideline:	531	3,507	264,997	156,394	108,603	
Other Reductions:	1,555	10,263	1,599,465	350,452	1,249,012	

In addition, the Plan paid MBMS \$27,425 for pre-authorizations and \$3,354 for facilitating peer reviews.

* NOTE:

The \$211,000 figure included in the February 26th WCI expenditures, and referenced in your March 4th letter, represented all Loss Associated Expense paid during fiscal year 2003. The information above includes only fees from the medical cost containment service and is on an incurred basis.

State Budget Funding of Workers Compensation Losses

The state budget funds workers' compensation assessments for only those employees whose salaries are paid from general revenue. For those employees whose salaries are paid from multiple sources, the state only pays the portion of the WCI assessment attributable to the general revenue portion of the respective salary. Losses filed against the Texas A&M system WCI plan are then paid from the collected proportionalized salary assessments that have been collected by the Texas A&M system from its components. This arrangement has not changed since the passage of tuition deregulation in the 78th session.

I will follow up with Jon Schnautz in order to proactively answer any question the committee may have on the A&M system's workers compensation program.

Sincerely,

Kevin P. McGinnis
 Director

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